



## **Doing Business in Ethiopia:**

### **A Country Commercial Guide for U.S. Companies**

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# Chapter 1: Doing Business in Ethiopia

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## Market Overview

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- Ethiopia's population of over 74 million makes it potentially one of the largest markets in Africa. Despite a Gross Domestic Product (GDP) per capita of just over \$100, Ethiopia has been among the top ten U.S. markets in sub-Saharan Africa over the last several years.
- Since the early 1990's, Ethiopia has pursued a development strategy based on a mixed economy of both state and private enterprises. It has eliminated discriminatory tax, credit, and foreign trade treatment of the private sector and tried to simplify bureaucratic regulations and procedures.
- GDP was estimated at \$8.1 billion in 2004. The economy is predominantly agricultural, with agriculture contributing 42 percent to the GDP and employing 80 percent of the population. GDP growth for 2004 for 11.6 percent, reflecting in part the economy's recovery from droughts in 2002/2003. From 1998-2002, the country achieved an annual average economic growth rate of about 4.2 percent.
- Ethiopia experiences a significant trade deficit. For 2004, exports totaled \$563 million, while imports totaled \$2.4 billion. Ethiopia's primary exports are coffee, chat, hides and skins, sesame seeds, pulses, live animals, honey and beeswax, spices, natural gum, flowers, fruits and vegetables. Coffee is by far the most important export commodity, constituting between 35 - 40 percent of exports by value. The country's main imports include motor vehicles, petroleum products, civil and military aircraft, spare parts, construction equipment, medical and pharmaceutical products, agricultural and industrial chemicals, agricultural machinery, fertilizers, irrigation equipment, and food grains.
- The top five exporting countries (in order) to Ethiopia are: Saudi Arabia, United States, China, India, and the United Arab Emirates. The top five importing countries (in order) from Ethiopia are: Germany, China, Japan, Switzerland, and Djibouti.
- U.S. exports totaled approximately \$460 million in 2004 and \$515 million in 2005. U.S. exports constitute approximately 16 percent of Ethiopia's total imports. Aircraft and related parts are overwhelmingly the largest U.S. export to Ethiopia.

## Market Challenges

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- The government is engaged in a program of economic reform and liberalization; however, the state remains heavily involved in most economic sectors. Some sectors, particularly in services and trade, are hard for foreign investors to enter. The government retains control over the utilities sector and prohibits foreign ownership of banking and insurance companies. Land cannot be purchased or sold, but can be leased, sometimes on a long term basis.

- Government procedures and paperwork are usually complicated and time-consuming, although improvements have been seen in business registration.
- The government requires that all imports be channeled through Ethiopian nationals registered as official import or distribution agents with the Ministry of Trade and Industry.
- Customs clearance remains a hindrance to the business of importing. The clearance process is slow and imported goods are sometimes charged at attributed values instead of invoice values.
- Contractual enforcement remains weak and, as a result, many local companies prefer to do business with relatives or close acquaintances.
- The transportation and telecommunications systems, especially internet service, are fair, but improving. The Government of Ethiopia has prioritized infrastructure development in recent budgets.
- Ethiopia's judicial system remains poorly staffed and inexperienced, particularly with respect to commercial related disputes.

## **Market Opportunities**

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- Ethiopia is endowed with abundant agricultural resources and has a vast diversity in ecological zones. There are considerable opportunities for expanding the cultivation and export of cut flowers, dried fruits, and processed vegetable products. With over seven million bee colonies, Ethiopia is already the leading producer and exporter of honey and beeswax in sub-Saharan Africa. In addition, Ethiopia is interested in exploiting its forestry and fishing resources.
- Leading non-agricultural sectors for U.S. trade and investment include civil aviation, construction, telecommunications, hydro-electric power, and tourism.
- Other leading export products include trucks, vehicles and spare parts, medical equipment and pharmaceuticals.

## **Market Entry Strategy**

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- Approximately 40 percent of Ethiopian imports are conducted through government tenders. The tender announcements are made public to all interested potential bidders, regardless of nationality of supplier or origin of the products/services. Government procurement is by competitive bidding.
- The best strategy to enter the Ethiopian market is to contract with a local consultant to conduct market research and then appoint a reliable and active local agent.
- For appointing a dealer/local agent, it is crucial that the company visit the market initially. Further market visits may be necessary.
- The U.S. Embassy provides assistance by identifying suitable and reliable local agents/dealers.

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the following link to the U.S. Department of State Background Notes:  
<http://www.state.gov/r/pa/ei/bgn/2859.htm>.

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### Using an Agent or Distributor

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It is not difficult to find experienced and reputable agents and distributors in Ethiopia. To conduct business effectively and participate in local tenders, it is advisable for U.S. firms to appoint local agents to represent their products in Ethiopia. The Embassy maintains a list of experienced local representatives interested and able to assist U.S. companies in bids on major projects. Limitations on foreign exchange and import and export services make direct marketing difficult.

### Establishing an Office

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- All importers and exporters must be registered with the Ministry of Trade and Industry and obtain a business license. Foreign investors are required to seek project approval and receive incentives from the Ethiopian Investment Authority.
- A U.S. firm wishing to establish a branch office in Ethiopia must fulfill the following requirements and submit following documents for registration.
  - A notarized copy of registration of parent company in the country of origin.
  - Copy of the memorandum and article of Association.
  - An authenticated decision of the parent company's board of director or a similar authorized body for the establishment of a branch in Ethiopia. The decision should indicate the types of activities of the branch, the individuals appointed by the parent company to act on its behalf, and the capital allocated for its operation.
  - An authenticated power of attorney issued by an authorized organ of a company for the permanent representative in Ethiopia.
  - Financial reference from the company's bank.

- A notice published in a newspaper announcing the establishment of a branch company in Ethiopia.

## **Franchising**

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Difficulties in product quality control, banking regulations, and continuing foreign exchange convertibility issues make franchising difficult. Currently, there are no U.S. franchises operating in the country.

## **Direct Marketing**

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Direct marketing of U.S. products in Ethiopia today is limited to major-purchase items. This includes major tender (bid) items and/or single sale items. For these items, the Commercial Section prepares market reports on both public government tenders and private trade leads, which are then distributed through the U.S. Department of Commerce website [www.export.gov](http://www.export.gov).

## **Joint Ventures/Licensing**

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Foreign investment inflows through joint ventures are promoted and encouraged in Ethiopia. The following are the major criteria for the approval of joint venture proposals:

- Transfer, absorption, know-how, and adaptation of needed technology into the country.
- Improvement of the country's foreign exchange position.
- Utilization and development of the country's resources, including the generation of local employment.
- Development of forward and backward linkages, and increased added value in various economic sectors.

## **Selling to the Government**

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Government purchases account for about 40 percent of total imports, with funds coming from project loans by international financial institutions such as the World Bank and the African Development Bank or from other international donors. Government procurement is by competitive bidding and there are no special document requirements. Bureaucratic procedures and delays in the decision-making process sometimes impede participation in tenders. It is advisable to work with local agents or representatives in order to effectively participate in local tenders. In general, it is not difficult to find experienced and reputable agents and distributors in Ethiopia.

## **Distribution and Sales Channels**

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- Ethiopia requires that all imports be channeled through Ethiopian nationals registered with the government as official import or distribution agents. The importer or agent is required to apply for an import license and register with the Ministry of Trade and Industry.
- Much distribution in Ethiopia, particularly to regional towns, is done through informal business arrangements. For example, many goods after being cleared

through customs will be sold to wholesalers in Addis Ababa's largest market (Merkato) who then distribute it to retailers and small vendors.

### **Selling Factors/Techniques**

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- Methods used by successful competitors in the Ethiopian market place include active contact with key officials responsible for various major programs and projects; personal visits by representatives for initial market surveys; and contact with local representatives knowledgeable about future plans and market potentials.
- Including sales materials in the official local language, Amharic, in addition to English is an effective way to reach a broader customer base.

### **Electronic Commerce**

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Electronic Commerce is a recent phenomenon and is at its infant stage in Ethiopia. It is rarely used. According to a publication by United Nations Economic Commission for Africa, the following are Ethiopian based e-commerce sites.

Ethio Gift

[www.ethiogift.com](http://www.ethiogift.com)

Ethio Merkato

[www.ethiomerkato.com](http://www.ethiomerkato.com)

Ethiopian Airlines

[www.flyethiopian.com](http://www.flyethiopian.com)

Genuine Leather Craft

[www.genuineleathercraft.com](http://www.genuineleathercraft.com)

### **Trade Promotion and Advertising**

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Advertising and trade promotions are important in the Ethiopian market. The government-owned mass media (radio, television, and newspapers) and privately-owned magazines and newspapers are the major means of advertising.

The Addis Ababa Chamber of Commerce and Sectorial Association organize the largest trade fair in Ethiopia, which attracts many foreign and local exhibitors. Please visit their web site for further information: [www.addischamber.com/tradefair/tradefair.asp](http://www.addischamber.com/tradefair/tradefair.asp).

### **Trade Promotion and Marketing**

Afro Link Studio

[www.afrolinkstudio.com](http://www.afrolinkstudio.com)

B.T. Digital Print Enterprise

[www.btadvert.com](http://www.btadvert.com)

## **Major Local Newspapers**

Addis Business  
P.O. Box 2458  
Addis Ababa, Ethiopia  
Tel: +251-11-551-8882/ 251-11-551-8055  
Fax: +251-11-551-1479  
Email: [aachamber1@telecom.net.et](mailto:aachamber1@telecom.net.et)  
[www.addischamber.com](http://www.addischamber.com)

Capital  
P.O. Box 3155  
Addis Ababa, Ethiopia  
Tel: +251-11-553-1759  
Fax: +251-11-5533-323  
[www.capitalethiopia.com](http://www.capitalethiopia.com)

Ethiopian Herald  
P.O. Box 30701  
Addis Ababa, Ethiopia  
Tel: +251-11- 515-6760/515-7017/515-6755  
Fax: +251-11-551-6819 /156-9862

Fortune  
P.O. Box 259 Code 1110  
Addis Ababa, Ethiopia  
Tel: +251-11-651-1769/662-7150  
Email: [tamrat@addisfortune.com](mailto:tamrat@addisfortune.com)  
Website: [www.addisfortune.com](http://www.addisfortune.com)

The Monitor  
P.O. Box 4502  
Addis Ababa, Ethiopia  
Tel: +251-11-1560-518/156-0794/156-0791  
Fax: +251-11-156-0515  
E-mail: [themonitor@ethionet.et](mailto:themonitor@ethionet.et)

Nigdna Limat  
Addis Ababa Chamber of Commerce  
P.O. Box 2458  
Addis Ababa, Ethiopia  
Tel: +251-11-551-8055/551-3814  
Fax: +251-11-551-1479  
Email: [aachamber1@telecom.net.et](mailto:aachamber1@telecom.net.et)

Press Digest  
P.O. Box 12719  
Addis Ababa, Ethiopia  
Tel: +251-11-111-2154/551-1301  
Fax: +251-11-551-3523



Email: [Phoenix.Universal@telecom.net.et](mailto:Phoenix.Universal@telecom.net.et)  
[www.pressdigest.phoenixuniversal.com](http://www.pressdigest.phoenixuniversal.com)

The Reporter  
P.O. Box 7023  
Tel: +251-11-466-1518/466-1519  
Fax: +251-11-4661-517  
Email: [mcc@telecom.net.et](mailto:mcc@telecom.net.et)  
[www.ethiopianreporter.com](http://www.ethiopianreporter.com)

Sub Saharan Informer  
P.O. BOX 22178 Code 1000  
Addis Ababa, Ethiopia  
Tel: +251-11-515-1800  
Fax: +251-11-552-6722  
E-mail: [info@subsaharaninformer.com](mailto:info@subsaharaninformer.com)  
[www.ssinformer.com](http://www.ssinformer.com)

### **Government Media**

Ethiopian News Agency  
[www.ena.gov.et](http://www.ena.gov.et)

Walta Information Agency  
[www.waltainfo.com](http://www.waltainfo.com)

Ethiopian Radio and Television Agency  
[www.erta.gov.et](http://www.erta.gov.et)

Radio Fana  
[www.radiofana.com](http://www.radiofana.com)

### **Commercial and Trade Promotion**

Cactus Advertising  
P.O Box 5790  
Bole Road, Addis Ababa Ethiopia  
Tel: +251-11-662-3888,  
Fax: +251-11-661-5100,  
Email: [cactusplc@ethionet.et](mailto:cactusplc@ethionet.et)

Lion Advertising  
P.O. Box 5372  
Tel: +251-11-552-7835/552-7836  
Fax: +251-11-551-2499  
Email: [lionadpr@ethionet.et](mailto:lionadpr@ethionet.et)

Tefera Promotion & Entertainment PLC

P.o.Box 1633 Code 1110  
Tel:- +251-11-663-1873/74  
Fax:- +251-11-661-3056  
Email:- [Helinprom@ethionet.et](mailto:Helinprom@ethionet.et)

***Although these lists are not comprehensive, and inclusion does not constitute an endorsement or recommendation by the Commercial Section, they are a useful starting point for firms that need professional services in Ethiopia.***

## **Pricing**

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- All retail prices except petroleum, fertilizers and pharmaceuticals have been decontrolled. The general pricing structure for imports is on the basis of a customs duty (HST code is applicable), 15 percent VAT, a 2 percent withholding tax, and excise tax (depending on the type of product).
- All transactions in Ethiopia are conducted in the local currency, the "Birr" (Birr 8.67 equals \$1.00 as of January 2006). Prices are generally very low for locally produced products, while import prices reflect the high cost of transportation.

## **Sales Service/Customer Support**

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Sales service is obtainable for products in most sectors. Neither consumer advocacy or protection associations currently operate in Ethiopia. Customer service and support is reported to be very weak in different sectors of the economy.

## **Protecting Your Intellectual Property**

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- Until recently, regulations for the protection of patents and copyrights were very limited. In April 2003 the government established the Ethiopian Intellectual Property Office under the Science and Technology Commission to administer trademark, copyrights and intellectual property issues.
- Proclamation No. 123/1995 governs inventions, minor inventions and industrial designs, focusing mainly on patents. Trade names and trademarks are governed by the provisions of the commercial code and proclamation No. 67/1997. Technology licensing is governed by regulation No. 121/1993.
- The Ethiopian Parliament passed a Copyright and Neighboring Rights Protection Proclamation in June 2004. The proclamation protects the rights of copyright owners and associated beneficiaries (neighborhood rights) for such works as literary, music, performance, broadcast, photography, software, database and other published works. The law imposes both financial penalty and imprisonment terms on those who infringe on these rights. The law is expected not only to benefit copyright owners, but also enhance Ethiopia's international position and help promote trade and investments.
- Lengthy evaluation and verification procedures are involved especially in processing patents.
- Some protection can be secured for trademarks through the Ministry of Trade and Industry and the publication of cautionary notices in local newspapers in Ethiopia.

## Due Diligence

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Due diligence and project analysis are highly recommended for almost every sector. The Economic/Commercial section performs due diligence on behalf of U.S. firms. It performs the following fee-bases services.

- International Company Profile
- Gold Key Service
- International Market Insight
- International Partners Search

If U.S. firms require an extensive and detailed market research and project analysis, the Commercial Section would be able recommend local firms capable of performing this task.

## Local Professional Services

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The following list includes companies that render general professional services.

### **Banking and Finance**

Awash Bank

[www.awash-bank.com](http://www.awash-bank.com)

Bank of Abyssinia

[www.bankofabyssinia.com](http://www.bankofabyssinia.com)

Commercial Bank of Ethiopia

[www.combanketh.com](http://www.combanketh.com)

Construction and Business Bank of Ethiopia

[www.cbb.com.et](http://www.cbb.com.et)

Dashen Bank

[www.dashenbank.com](http://www.dashenbank.com)

United Bank

[www.addischamber.com/united bank.html](http://www.addischamber.com/united bank.html)

### **Hotels and Meeting Facilities**

The Ghion Hotel

[www.ghion.com](http://www.ghion.com)

Hilton Addis Ababa

[www.hilton.com](http://www.hilton.com)

Sheraton Addis Ababa

[www.starwoodhotels.com](http://www.starwoodhotels.com)

## **Tour Operators**

Abyssinian Tours

[www.abyssiniantours.com](http://www.abyssiniantours.com)

Ethiopia Travel

[www.ethiopiatravel.com](http://www.ethiopiatravel.com)

Ethiopian Rift Valley Safaris

[www.Ethiopianriftvalleyssafaris.com](http://www.Ethiopianriftvalleyssafaris.com)

Experience Ethiopia Travel

[www.telecom.net.et/~eet](http://www.telecom.net.et/~eet)

## **Employment Agency**

Ethio Jobs

[www.ethiojobs.net](http://www.ethiojobs.net)

## **Other**

Ethiopian Economic Association

[www.eeaecon.org](http://www.eeaecon.org)

Ethiopian Business Development Services Network

[www.bds-ethiopia.net/services.html](http://www.bds-ethiopia.net/services.html)

Tana Consulting

[www.tanaconsulting.com](http://www.tanaconsulting.com)

Ethiopian Export

[www.bigethiopianexpo.com](http://www.bigethiopianexpo.com)

Association of Ethiopian Microfinance Institution

[www.aemfiethiopia.org](http://www.aemfiethiopia.org)

Ethiopian Export Promotion Agency

[www.ethioexport.org](http://www.ethioexport.org)

Ethio Market

[www.ethiomarket.com](http://www.ethiomarket.com)

***Although these lists are not comprehensive, and inclusion does not constitute an endorsement or recommendation by the Commercial Section, they are a useful starting point for firms that need professional services in Ethiopia.***

## **Web Resources**

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[www.uneca.org/codi/Documents/PDF/doc30en.pdf](http://www.uneca.org/codi/Documents/PDF/doc30en.pdf)

[www.investethiopia.org](http://www.investethiopia.org)

[www.telecom.net.et/~epa](http://www.telecom.net.et/~epa)

[www.ethioexport.org](http://www.ethioexport.org)  
[www.addischamber.com](http://www.addischamber.com)  
[www.bds-ethiopia.net](http://www.bds-ethiopia.net)  
[www.ethiomarket.com](http://www.ethiomarket.com)  
[www.devinet.org](http://www.devinet.org)  
[www.dagethiopia.org](http://www.dagethiopia.org)  
[www.dashenbank.com](http://www.dashenbank.com)  
[www.awash-bank.com](http://www.awash-bank.com)  
[www.bankofabyssinia.com](http://www.bankofabyssinia.com)  
[www.combanketh.com](http://www.combanketh.com)  
[www.cbb.com.et](http://www.cbb.com.et)  
[www.addischamber.com/united\\_bank.html](http://www.addischamber.com/united_bank.html)  
[www.hilton.com](http://www.hilton.com)  
[www.sheraton.com](http://www.sheraton.com)  
[www.abysiniantours.com](http://www.abysiniantours.com)  
[www.ethiopiatravel.com](http://www.ethiopiatravel.com)  
[www.Ethiopianriftvalleyssafaris.com](http://www.Ethiopianriftvalleyssafaris.com)  
[www.telecom.net.et/~eet](http://www.telecom.net.et/~eet)  
[www.ethiojobs.net](http://www.ethiojobs.net)  
[www.eaaecon.org](http://www.eaaecon.org)  
[www.eatic.org](http://www.eatic.org)  
[www.bigethiopianexpo.com](http://www.bigethiopianexpo.com)  
[www.aemfiethiopia.org](http://www.aemfiethiopia.org)  
[www.ethioexport.org](http://www.ethioexport.org)  
[www.ethiomarket.com](http://www.ethiomarket.com)  
[www.pressdigest.phoenixuniversal.com](http://www.pressdigest.phoenixuniversal.com)  
[www.ethiogift.com](http://www.ethiogift.com)  
[www.ethiomerkato.com](http://www.ethiomerkato.com)  
[www.flyethiopian.com](http://www.flyethiopian.com)  
[www.genuineleathercraft.com](http://www.genuineleathercraft.com)  
[www.btadvert.com](http://www.btadvert.com)  
[www.ethiopianreporter.com](http://www.ethiopianreporter.com)  
[www.addistribune.com](http://www.addistribune.com)  
[www.capitalethiopia.com](http://www.capitalethiopia.com)  
[www.ssinformer.com](http://www.ssinformer.com)

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## Chapter 4: Leading Sectors for U.S. Export and Investment

### Commercial Sectors

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- [Road Construction](#)
- [Telecommunications](#)
- [Hydro-Electric Power](#)
- [Tourism](#)
- [Airport Equipment](#)
- [Others](#)

### Agricultural Sector

#### Aviation

##### Overview

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Ethiopian Airlines (EAL) continues to expand its routes throughout Africa, Europe, Asia, and the United States. It has expressed a desire to further expand its fleet within the next several years. Well-managed and considered one of Africa's premier airlines, EAL has been an important regional client for U.S. aviation companies with an all-Boeing international fleet with primarily Pratt and Whitney engines. In 2005 EAL signed a \$3 billion deal with Boeing Corporation to buy 10 Boeing 787 Dreamliner jets to be delivered over 3 years, starting in 2008. Ethiopian Airlines also concluded a deal with General Electric Company for the purchase of 20 GEnx engines by (GE) to power its Boeing 787 Dreamliners. Pratt and Whitney were also approved by EAL as its sales maintenance service provider for African airlines. This will allow EAL to increase its order for aviation spare-parts and ancillary equipment (loaders, forklifts, airport vehicles). In addition, several new cargo and charter airlines are showing some progress and may purchase additional small passenger and used cargo planes.

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Ethiopian Airlines  
[www.flyethiopian.com](http://www.flyethiopian.com)

## Road Construction

### Overview

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The World Bank and donor agencies are participating heavily in Ethiopia's Road Sector Development Program (RSDP). The World Bank approved a loan for \$309 million in 1998 for phase one of the ten-year (1997 – 2007) to assist the Government of Ethiopia to restore and expand the country's road network. In June 2003, the Bank approved an IDA Grant of \$126.8 million for phase two of the project . Although U.S. firms are bidding on and winning tenders to conduct road design and supervise construction, the country will also need vehicles (bulldozers, cranes, trucks, and forklifts), vehicle attachments, and both mechanized and non-mechanized equipment to level and pour the materials, and construction materials. Most projects open for international competitive bidding are funded by either the Ethiopian government or major international financial institutions in which the United States participates, such as the International Development Association (IDA) of the World Bank and the African Development Fund (AFDF) of the African Development Bank (AFDB).

### Best Prospects/Services

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U.S. firms may export heavy machinery and building materials. U.S. firms involved in the road construction sector may offer consultancy and supervision services.

### Opportunities

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The following project descriptions are potential opportunities for U.S. firms.

Project-At-A-Glance	
<a href="#">Approval Date</a>	22-SEP-2004
<a href="#">Closing Date</a>	30-JUN-2010
<a href="#">Total Project Cost **</a>	255.9
<a href="#">Region</a>	Africa
<a href="#">Major Sector (Sector) ( percent)</a>	Transportation (Roads and highways) (90 percent)
	Public Administration, Law, and Justice (Central government administration) (9 percent)
	Public Administration, Law, and Justice (Sub-national government administration) (1 percent)
<a href="#">Bank Team Lead</a>	Lewi, Negede
<a href="#">Borrower</a>	GOVERNMENT OF ETHIOPIA
<a href="#">Implementing Agency</a>	ETHIOPIAN ROAD AUTHORITY
	Source : The World Bank

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African Development Bank

[www.afdb.org](http://www.afdb.org)

Nordic Investment Bank

[www.nibank.org](http://www.nibank.org)

World Bank

[www.worldbank.org](http://www.worldbank.org)

## Telecommunication

### Overview

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Ethiopia continues to invest in expanding and upgrading its telecommunications network. Ethiopia currently has the lowest telephone line density in Africa, with less than one percent coverage among potential fixed line customers. There are currently 800,000 fixed lines and 650,000 mobile phone users in the country. Ethiopian Telecommunication Corporation (ETC) has plans to expand fixed lines by 1.5 million new lines over the next couple of years and mobile phone subscribers to 2.4 million over the next few years, with 1.05 million units in the 2005/06. In addition, ETC has plans to expand ICT infrastructures across the country to support voice, data and video services. To implement these plans, ETC will acquire digital overlay switches, transmission systems mainly fiber optic backbone, digital microwave, satellite and wireless technology. Other projects contained within the ETC's development program include DRMAS stations, VSAT stations, coin- and card-operated telephones, expanded internet and mobile telephones. For all these projects, ETC will make substantial investments over the coming years. The planned spending for 2005/06 alone exceeds \$250 million.

### Best Products/Services

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- The current directive on Value Added Services, including ISP, issued by the Government of Ethiopia has allowed foreign companies to participate with local partners.
- Wireless internet service in partnership with the Ethiopian private sector will be an area where a lot of international attention will be focused on.
- Fixed networks, switching and optical networks are other areas where U.S. firms could supply equipment and/or services.

### Opportunities

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- Tenders for wireless technologies
- Tenders for optical ring network, network operation
- Telecom service provider in partnership with Government of Ethiopia

### Resources

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Ethiopian Telecommunications Corporation

[www.ethionet.et](http://www.ethionet.et)



## Hydro-Electric Power

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Over the next several years, Ethiopia plans to increase its capacity to generate hydroelectric power, from 790 to 1250 megawatts. Ethiopia has an untapped natural potential to generate over 30,000 megawatts of hydroelectric power, making it a potential energy exporter for the energy-starved region. There is plan to increase the number of people in electrified areas from 15 percent to 50 percent and to connect all towns and villages to the national grid in 10 years. To accomplish this, there is plan to spend \$1.3 billion over the next 5 years with further allocations in later years. The Ethiopian Electric Power Corporation (EEPCO) is interested in U.S. technology in this field and regularly publishes tenders for expanding and renovating the civil and hydromechanics works for current generating stations and for the planning, design and construction of additional projects.

## Best Products/Services

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The following products and equipment provide the best prospects for U.S. exporters: drilling rigs and associated equipment; electric and electrical cables; transformers, and electric meters.

## Opportunities

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Project-At-A-Glance	
<a href="#">Approval Date</a>	28-JUL-2005
<a href="#">Closing Date</a>	N/A
<a href="#">Total Project Cost **</a>	15.3
<a href="#">Region</a>	Africa
<a href="#">Major Sector (Sector) ( percent)</a>	Energy and mining (Power) (100 percent)
<a href="#">Old Major Sector</a>	Electric Power & Other Energy
<a href="#">Old Sector</a>	Electric Power & Other Energy Adjustment
<a href="#">Environmental Category</a>	B
<a href="#">Bank Team Lead</a>	Benoit, Philippe Charles
<a href="#">Borrower</a>	GOVERNMENT OF ETHIOPIA
<a href="#">Implementing Agency</a>	MINISTRY OF INFRASTRUCTURE

Project-At-A-Glance	
<a href="#">Approval Date</a>	11-MAY-2004
<a href="#">Closing Date</a>	31-MAR-2010
<a href="#">Total Project Cost **</a>	120
<a href="#">Region</a>	Africa
<a href="#">Major Sector (Sector) ( percent)</a>	Water, sanitation and flood protection (Water supply) (75 percent)
	Water, sanitation and flood protection (Sanitation) (13 percent)
	Public Administration, Law, and Justice (Sub-national government administration) (6 percent)

	Public Administration, Law, and Justice (Central government administration) (4 percent)
	Health and other social services (Other social services) (2 percent)
<u>Old Major Sector</u>	Water Supply & Sanitation
<u>Old Sector</u>	Water Supply & Sanitation Adjustment
<u>Environmental Category</u>	B
<u>Bank Team Lead</u>	Roche, Robert J.
<u>Borrower</u>	GOVERNMENT OF ETHIOPIA
<u>Implementing Agency</u>	MINISTRY OF WATER RESOURCES
	Source :- The World Bank

Project-At-A-Glance	
<u>Approval Date</u>	19-SEP-2002
<u>Closing Date</u>	31-DEC-2007
<u>Total Project Cost **</u>	199.12
<u>Region</u>	Africa
<u>Major Sector (Sector) ( percent)</u>	Energy and mining (Power) (80 percent)
	Public Administration, Law, and Justice (General public administration sector) (8 percent)
	Agriculture, fishing, and forestry (Forestry) (5 percent)
	Energy and mining (Renewable energy) (5 percent)
	Industry and trade (Other industry) (2 percent)
<u>Old Major Sector</u>	Electric Power & Other Energy
<u>Old Sector</u>	Electric Power & Other Energy Adjustment
<u>Environmental Category</u>	B
<u>Bank Team Lead</u>	Benoit, Philippe Charles
<u>Borrower</u>	GOVERNMENT OF ETHIOPIA
<u>Implementing Agency</u>	MINISTRY OF INFRASTRUCTURE
	Source :- The World Bank

## Resources

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Ethiopian Electric and Power Corporation

[www.eepco.gov.et](http://www.eepco.gov.et)

The World Bank

[www.worldbank.org](http://www.worldbank.org)

## Tourism

## Overview

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Ethiopia's tourism potential is largely untapped and should be of enormous interest to foreign and local visitors on historic, cultural, or eco-tourism expeditions. Ethiopia has an enormous diversity of wildlife (with many unique indigenous plant, bird, and mammal species), exotic landscapes, prehistoric sites, and architectural ruins of historical and religious significance. Many tourist sites are completely undeveloped and the infrastructure (hotels, restaurants, tour facilities) are underdeveloped. With a high volume of transit passengers transferring through Bole International Airport to global and regional destinations, there is a need for increased international standard accommodation near the airport for transit passengers. Construction of a Four-Star hotel at Bole Airport has recently been announced. In addition, as the seat of the African Union and UN Economic Commission on Africa, Addis Ababa serves as a frequent venue for international conferences and events.

#### **Best Products/Services**

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- Lodging facilities
- Camping gear

#### **Resources**

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Ethiopian Tourism Commission  
[www.ethiopiatourism.com](http://www.ethiopiatourism.com)

#### **Airport Equipment**

#### **Overview**

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Construction work at Bole International Airport in Addis Ababa is continuing. A passenger terminal with modern facilities became operational in 2003 and the construction of a new cargo terminal is underway. These terminals need equipment, machinery, and structures related to indoor and outdoor facilities including baggage handling, shopping, cargo storage, transfers, food preparation, and parking. Renovation and construction of several domestic terminals proceeds apace. Navigation and communication devices, fire-fighting and safety equipment, and security equipment are needed for all of these new airports.

#### **Others**

#### **Overview**

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Other leading sectors for trade and investment include trucks, vehicles and spare parts (TRK) and medical equipment and pharmaceuticals (MED/DRG). Data is not available to estimate the market size of the products and services in the above sectors. The potential size of some of the projects financed by the major international and regional financial institutions is indicated in chapter 8.

#### **Agricultural Sector**

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Ethiopia is endowed with abundant agricultural resources and has diverse ecological zones. Agriculture is the mainstay of the economy. Ethiopia imports all of its fertilizers, about 400,000 MT a year, at a cost of close to \$200 million. The best prospect in this regard is for the manufacture or provision of these fertilizers. Given the primary focus of the economy on agriculture and the diversity of crops and products, large-scale agro-processing offers numerous opportunities. With increased commercialization of this sector, there are growing demands for agricultural raw materials by manufacturing industries and the provision of all-around support services such as the maintenance of tractors, harvesters, and other equipment such as grain silos, cold storage and transport.

Ethiopia's cash crop production has enormous potential for growth, especially in coffee, cut-flowers, tea, sugar, spices, and tobacco. Cotton is well-integrated in the economy with a large number of textile and garment factories relying on domestic production. Ethiopia already produces beeswax, oilseeds, fruits and vegetables for export, but growth potential exists.

The government is advising the use of water-harvesting methodologies in rural areas as a means of reducing farmers' vulnerability to the recurring droughts that affect millions of families. A keen demand is anticipated for the supply of machinery and equipment as well as technical services in several areas, including hand farming implements and hand-powered tools and farming equipment, small-scale rural infrastructure equipment, water supply and sewage system machinery, such as irrigation pumps and well or bore-hole digging equipment. Conservation and environmental protection is growing, especially for low-cost, low-tech solutions.

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## Chapter 5: Trade Regulations and Standards

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- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
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### Import Tariffs

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- The current Customs Tariff of Ethiopia is based on the 2002 Version of the Harmonized Commodity Description and coding System (HS), which issued as per the International Convention on Harmonized Commodity Description and Coding System Ratification Proclamation No. 67/1993(ICHCDCSR N. 67/1993) and it deals with the scope of import duties.
- The highest tariff rate was reduced from 230 percent to 35 percent, and the number of official tariff rates (tariff bands) was reduced from 23 to 6. Ethiopia has also reduced customs duties on a wide range of imports.
- Import duties are levied on all imported goods (including government imports) unless specifically exempted, i.e. all investment goods and goods indicated in the Second Schedule of the 1996 Version of the Customs Tariff of Ethiopia and other related directives as conditional exemption at nil or reduced rates.
- All exports are duty free. Both VAT and Excise Taxes have been imposed on imports and the rated applicable in imported goods, by their tariff item number, has been attached to the 1996 Version of the Customs Tariff of Ethiopia and can be purchased from the Ethiopian Customs Authority Headquarter.
- The Tariff structure, per se, does not constitute a meaningful trade barrier to access the Ethiopian market.

### Trade Barriers

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- There are no special barriers to U.S. trade and investment, though a limited number of sectors remain closed to foreign investment and U.S. companies have complained about the frequent cancellation of government tenders.
- Constraints to increased trade and investment are poor infrastructure facilities such as roads, communications; problems related to acquisition of land; the strict foreign exchange control regime administered by the Central Bank; bureaucracy; and high transactions costs.
- A new Value Added Tax (VAT) replaced the former sales tax system as of January 2003. The VAT rate is 15 percent for all goods and services. VAT is

only payable by companies with annual turnover of more than \$58,000. There are ten excise tax brackets, applied equally to domestically produced and imported goods, ranging from 10 percent for textiles and electronic products to as high as 200 percent for alcoholic beverages.

### **Import Requirements and Documentation**

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- Most imports to Ethiopia require: (1) three certified copies of the commercial invoice, (2) two detailed copies of the manufacturers invoice, (3) a bill of lading or airway bill, (4) pro-forma invoices, (5) trade license for commercial imports, (6) insurance certificate, and (7) bank permit.
- Documents that should accompany exports include: (1) export declaration, (2) sales contract, (3) invoice, and (4) insurance certificate or policy. Medicines and medical supplies must be registered with the Drug Administration and Control Authority of Ethiopia. Any plant or plant product, including seeds, agricultural inputs such as chemicals, pesticides and fertilizers cannot be imported to Ethiopia unless registered and duly authorized for import by the Minister of Agriculture.
- All exports require an export permit that enables the goods to pass through customs. When applying for a permit an exporter must specify the goods to be exported, their destination and value. The licensing system is used to ensure that all foreign exchange receipts come into the country.

### **U.S. Export Controls**

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- U.S. companies exporting to Ethiopia must adhere to the requirements of the U.S. Department of Commerce's Bureau of Industry and Security and Department of Treasury's Office of Foreign Asset Control.
- The Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most commercial items. Items that BIS regulates are often referred to as "dual-use" – items that have both commercial and military or proliferation applications – but purely commercial items without an obvious military use are also subject to the EAR. The EAR does not control all goods, services, and technologies.
- BIS's activities include regulating the export of sensitive goods and technologies in an effective and efficient manner; enforcing export control, anti-boycott, and public safety laws; cooperating with and assisting other countries on export control and strategic trade issues; assisting U.S. industry to comply with international arms control agreements;
- A primary mission of BIS is the accurate, consistent and timely evaluation and processing of licenses for proposed exports and re-exports of goods and technology from the United States.
- Other U.S. government agencies regulate more specialized exports. For example, the U.S. Department of State has authority over defense articles and defense services. Other agencies involved in export controls include the Department of Treasury's Office of Foreign Asset Control, which administers controls against certain countries that are the object of sanctions affecting not only exports and re-exports, but also imports and financial dealings. A list of other agencies involved in export controls can be found on this Web site or in

Supplement No. 3 to Part 730 of the EAR which is available on the Government Printing Office website.

### **Temporary Entry**

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Bonded warehouse storage facilities are available for periods up to six months.

### **Labeling and Marking Requirements**

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Shipping marks and labeling are required on all imported goods and should be identical on all documents.

### **Prohibited and Restricted Imports**

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- The Ministry of Trade and Industry has the power to restrict and/or limit imports and exports.
- There are restrictions on the importation of products that compete with locally produced goods, particularly in agricultural sectors. Automobile or motor vehicle imports require approval from the Ministry of Transport and Communications. The import of arms and ammunitions, except by the Ministry of Defense, is totally prohibited.
- Further, goods of a commercial nature and quantity that are not imported through bank payment mechanisms are not allowed to enter and may be subject to confiscation.

### **Customs Regulations and Contact Information**

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- Since 2004, the Ethiopian Customs Authority is going through a wide range of customs reform program. As a result of this, customs clearance time, which used to take 43 days on the average, is often reduced to less than a week.
- The pre-shipment inspection has been abandoned as of June 2004 and valuation of goods is fully being carried out by the authority.
- To ensure transparent and accessible customs valuation, the Authority has made the Value database available for the public.

Contact information for the Ethiopian Customs Authority follows:

Tel: +251-11-551-1639/51-3100 ext 201

Fax: +251-11-551-8355

Email: [Customs@ethionet.et](mailto:Customs@ethionet.et)

[www.mor.gov.et/ecaweb/index.htm](http://www.mor.gov.et/ecaweb/index.htm)

### **Standards**

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- [Accreditation](#)
- [Publication of Technical Regulations](#)

- [Labeling and Marking](#)
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## Overview

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- The Quality and Standards Authority of Ethiopia (QSAE) is the National Standards Body of Ethiopia established in 1970 and became fully operational in 1972. This office fully regulates the quality of all exports and imports.
- QSAE is the only national standards body in Ethiopia. Standards are consistent with international norms and do not act as a barrier to U.S. products.
- QSAE is a member of the International Organization for Standardization (ISO), International Organization of Legal Metrology (OIML), and Codex Alimentarius Commission (CAC). It is also a founding member of the African Regional Organization for Standardization (ARSO), and has close relations with the International Electro-technical Commission (IEC).

## Standards Organizations

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One of the central objectives of QSAE is to coordinate the national standards development effort in all economic fields, which is carried by the Standards Development Group organized under the Quality Promotion and Standards Directorate. In order to guide the national standards development endeavor in a consistent and efficient manner, QSAE serves as the Secretariat for all ES development Technical Committees (TCs).

## Conformity Assessment

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QSAE generally conducts both the testing and conformity assessment. The following organizations provide testing services:

- Building Construction Engineering
- Transport Construction Design Enterprise
- Addis Ababa University Technology Faculty
- Ethiopian Health and Nutrition Research Institute

## Product Certification

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Except for a few types of imports, there are no general requirements in the country for product certification. The imports that are required to have product certification are: food stuffs, construction materials, chemicals, textiles, and pharmaceuticals.

The future certification of products which will be normally carried out on the basis of published Ethiopian Standards which have been found amenable to voluntary product certification. This service will be soon started by QSAE especially in areas where there is high consumer interest and some degree of competitive market environment in the country.

The certification schemes used by QSAE are generally based on ISO/IEC Guide 28, General rules for a model third-party certification system for products, which provides



generic rules for third-party certification system in relation to determining conformity with product standards.

## **Accreditation**

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Currently, there are no accreditations bodies present in Ethiopia. Accreditation is required only for certain sectors such as health, food and construction .

QSAE is also working in setting up the ground work for international accreditation of its product certification service to ISO/IEC Guide 65, General requirements for bodies operating product certification systems.

## **Publication of Technical Regulations**

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Proposed technical regulations are regularly published by the authority. Final regulations are regularly published in the national gazette, Negarit Gazette, and then passed into law.

## **Labeling and Marking**

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Various requirements exist for labeling and marking based on the Ethiopian Standards (ES). The Commercial Section can provide product specific information.

## **Contacts**

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Quality and Standards Authority of Ethiopia (QSAE) points of contact:

Director General

Tel: +251-11- 646-0525/646-0111

Fax: +251-1-11-646-0880

E-mail: [dgqsae@ethionet.et](mailto:dgqsae@ethionet.et)/[qsae@telecom.net.et](mailto:qsae@telecom.net.et)

P. O. Box 2310, Addis Ababa, Ethiopia

[www.qsae.org](http://www.qsae.org)

Public Relations and Education Service

Tel: +251-11-646-0569

E- mail: [publicrelations@qsae.org](mailto:publicrelations@qsae.org)

Quality manager

Tel: +251-11-646-0858

E- mail: [qualitymanager@qsae.org](mailto:qualitymanager@qsae.org)

Certification and Regulatory Affairs Directorate

Tel: +251-11-646-0565

E- mail: [certification@qsae.org](mailto:certification@qsae.org)/[inspection@qsae.org](mailto:inspection@qsae.org)

Quality Promotion and Standards Directorate

Tel: +251-11-646-0567

Quality Promotion and Training Group

E-mail: [training@qsae.org](mailto:training@qsae.org)

Metrology and Testing Laboratories Directorate  
Tel. +251-11-646-0683/646-0542  
E- mail: [metrology@qsae.org](mailto:metrology@qsae.org)/[testing@qsae.org](mailto:testing@qsae.org)

## **Trade Agreements**

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Ethiopia originally signed a Treaty of Amity and Economic Relations with the U.S. in Addis Ababa in 1956 which was updated in 1994.

Ethiopia has the following trade agreements:

- Preferential Trade Agreement between the Government of the Federal Democratic Republic of Ethiopia and the Government of the Republic of the Sudan (Addis Ababa, 25 April 2002).
- Treaty Establishing the Common Market for Eastern and Southern Africa (COMESA) (Kampala, 5 November 1993).
- Agreement Establishing Intergovernmental Authority on Development (IGAD) (Nairobi, March 1996).
- ACP-EU Economic Partnership Agreement (Cotonou, 23 June 2000).

Since then, it has concluded a number of other trade agreements geared towards gaining export opportunities. Ethiopia has no bilateral trade investment agreement with the U.S.; however, it is eligible for preferential access to the U.S. market under the African Growth and Opportunity Act (AGOA )

## **Web Resources**

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Africa Growth and Opportunity Act  
[www.agoa.gov](http://www.agoa.gov)

Common Market for Eastern and Southern Africa  
[www.comesa.int](http://www.comesa.int)

Doing Business in Ethiopia  
[www.doingbusiness.org/ExploreTopics/StartingBusiness/MoreDetails.aspx?economyId=66](http://www.doingbusiness.org/ExploreTopics/StartingBusiness/MoreDetails.aspx?economyId=66)

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## Chapter 6: Investment Climate

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- [Dispute Settlement](#)
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- [Right to Private Ownership and Establishment](#)
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- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
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### Openness to Foreign Investment

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#### **2004/2005 HIGHLIGHTS**

There were few changes since last year's Investment Climate Statement report. Those include:

- A new copyright and intellectual property rights bill was passed by Parliament on June 24, 2004 and has gone into force.
- Despite relative stability and security for investors, sporadic political and ethnic violence continued in some parts of the country, including the capital.
- A recently published UN Investment Guide to Ethiopia indicated that, according to the private sector, routine bureaucratic corruption is virtually non-existent in Ethiopia. Transparency International recorded a decline in Ethiopia's ranking from 59th out of 102 countries rated in 2002 to 92nd out of 133 countries rated in 2003 in its Corruption Perception Index, where a higher number indicates higher level of corruption.
- Ethiopia signed a double taxation treaty with Israel in 2004.
- In August 2005, the government issued a directive allowing private companies to provide internet service (ISP) through the government's backbone infrastructure. Sales of SIM cards for mobile phones were also partially-privatized in 2005 by allowing six private companies to distribute them.

The Government of the Federal Democratic Republic of Ethiopia (GFDRE) has publicly stated that the private sector will be an engine of development and that private capital should play an important role in the economy. To that end it has eliminated most of the discriminatory tax, credit and foreign trade treatment of the private sector, simplified

administrative procedures, and established a clear and consistent set of rules regulating business activities. In 2003, Ethiopia formally applied for membership to the WTO. A Memorandum of Foreign Trade Regime has been submitted to the Council of Ministers, where it awaits final approval. Though bureaucratic hurdles continue to affect implementation of projects, the Ethiopian Investment Authority, the main contact point for foreign investors, has improved its services and is now providing a highly expedited "one-stop shop" service that significantly cuts the time and cost of acquiring investment and business licenses.

In June 1996, the Ethiopian Government issued a revised Investment Code which provided incentives for development-related investments, reduced capital entry requirements for joint ventures and technical consultancy services, created incentives in the education and health sectors, permitted the duty-free entry of capital goods (except computers and vehicles), opened the real estate sector to expatriate investors, extended the losses carried forward provision, cut the capital gains tax from 40 to 10 percent, and gave priority to investors in obtaining land for lease.

Amendments to Ethiopia's Investment Proclamation (Law) were issued in September 1998 and July 2002, further liberalizing the investment regime and removing most of the remaining restrictions. In the latest amendment, areas solely reserved for government investment were reduced to the transmission and supply of electricity through the Integrated National Grid System and postal services with the exception of courier services. Manufacturing of weapons and ammunitions and telecommunications services can only be undertaken as joint ventures with the government.

Ethiopia's revised investment code prohibits foreign firm participation in domestic banking, insurance and micro-credit services. Other areas of investment reserved for Ethiopian nationals include broadcasting, air transport services using aircraft with a seating capacity of more than 20 passengers and forwarding and shipping agency services. Professional service providers must be licensed by the Government to practice in Ethiopia. Also a foreign investor intending to buy an existing enterprise to operate it or buy shares in an existing enterprise needs to obtain prior approval from the Investment Commission.

In addition to those mentioned above, the amendment reserves the following areas of investments for domestic investors: retail trade and brokerage; wholesale trade (excluding supply of petroleum and its by-products as well as wholesale by foreign investors of their locally-produced products); import trade (excluding LPG, bitumen and upon approval from the Council of Ministers, material inputs for export products); export trade of raw coffee, chat, oilseeds, pulses, hides and skins bought from the market and live sheep, goats and cattle not raised or fattened by the investor; construction companies excluding those designated as grade 1; tanning of hides and skins up to crust level; hotels (excluding star-designated hotels), motels, pensions, tea rooms, coffee shops, bars, night clubs and restaurants excluding international and specialized restaurants; travel agency, trade auxiliary and ticket selling services; car-hire, taxi-cabs transport services; commercial road transport and inland water transport services; bakery products and pastries for the domestic market; grinding mills; barber shops, beauty saloons, and provision of smith, workshop and tailoring services except by garment factories; building maintenance and repair and maintenance of vehicles; saw milling and timber making; custom clearance services; museums, and theaters and cinema hall operations; and printing industries.

Another important change made in the 2002 amendment has been the reduction in the minimum capital requirement of foreign investors from \$500,000 to \$100,000 per project for wholly foreign owned investments and from \$300,000 to \$60,000 for joint investments with domestic investors. The minimum capital required of foreign investors in the areas of engineering, architectural, accounting and auditing services; business and management consultancy services; and publishing is reduced from \$100,000 to \$50,000 for wholly foreign owned investment; and to \$25,000 for joint ventures undertaken with domestic partners. A foreign investor reinvesting profits or dividends, or exporting at least 75 percent of the output will not be required to meet minimum capital requirements. The 27 percent equity requirement of local partners in joint ventures is also repealed.

The Ethiopian Government reviews investment proposals in a non-discriminatory manner. Foreign investors do not regard the screening process as an impediment to investment, a limit to competition, or a means of protecting domestic interests.

Most, but not all of the tenders issued by the Ethiopian Privatization and Public Enterprises Supervising Agency (EPPESA) under Ethiopia's privatization program are open to foreign participation. In some instances the Government promotes joint ventures with Ethiopian private concerns rather than outright sales. Some sectors are closed to foreign investment. Foreign firms participate through consultancy services preparatory to privatization, or through tendering on advertised privatization opportunities. Since 1994, Ethiopia has privatized approximately 225 properties worth \$410 million, mostly small enterprises in trade and other service sectors. Privatization almost stalled since 2002, only seven small enterprises and branches were privatized in 2004/05. Tenders have also been issued for 31 partnerships and 20 outright sales. Explanations given by EPA for the slowdown include the relative size of the remaining enterprises which is beyond the financial capacity of the private sector to absorb and too stringent government requirements in terms of prices and procedures plus the government's anticorruption drive (which led to imprisonment of some privatization officials) that provoked excessive caution both on the part of buyers and sellers. As a result, not only were there few bidders but also many tenders were cancelled. None of Ethiopia's utilities have been privatized to date, though the government is looking for foreign investor partners in selected telecommunications sectors. At the moment the Government has 115 state enterprises under its control.

There are no discriminatory or excessively onerous visa, residence, or work permit requirements regarding foreign investors. Foreign investors do not face unfavorable tax treatment, denial of licenses, discriminatory import or export policies, or inequitable tariff and non-tariff barriers. However, some Ethio-American investors who acquired privatized properties have experienced difficulties obtaining titles to the properties because of difficulties created by local level authorities. Some had problems acquiring land for investment purposes. Although federal officials have at times intervened to resolve these problems, a lasting solution requires policy level changes

## **Conversion and Transfer Policies**

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- Ethiopia's Investment Proclamation (Law) allows all foreign investors, whether or not they receive incentives, to freely remit profits and dividends, principal and interest on foreign loans, and fees related to technology transfer. Foreign

- investors may also remit proceeds from the sale or liquidation of assets, from the transfer of shares or of partial ownership of an enterprise, and funds required for debt service or other international payments. The right of expatriate employees to remit their salaries is granted in accordance with the foreign exchange regulations of the National Bank of Ethiopia. U.S. businesses represented in Ethiopia do not encounter difficulties in the repatriation of dividends.
- The National Bank (NBE) retains a monopoly on all foreign currency transactions. The NBE supervises all payments or remittances made abroad. The local currency (Birr) is not freely convertible. Ethiopia issued several proclamations (laws) in September 1998 that somewhat liberalized the country's foreign exchange market. A new NBE directive allows non-resident Ethiopians and non-resident foreign nationals of Ethiopian origin to establish and operate foreign currency accounts. The minimum deposit is U.S. \$100 and maximum \$5,000. In general, firms have had little difficulty in obtaining needed foreign exchange at competitive rates.
  - In the last three years, the Birr has been fairly stable, undergoing a gradual depreciation from 8.57 birr per dollar in June 2002 to birr 8.68 per dollar in December 2005. Over this period, the differential between the auction-determined rate and the parallel (or "black market") exchange rate has been nearly eliminated, though rates began to diverge in late 2005 due to domestic unrest and loss of investor confidence.

#### **Expropriation and Compensation**

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- Per Ethiopia's 1996 Investment Proclamation (Law) and subsequent amendments, no assets of a domestic investor or a foreign investor, enterprise or expansion may be nationalized wholly or partly, except when required by public interest and in compliance with the laws and payment of adequate compensation. Such assets may not be seized, impounded, or disposed of except under a court order.
- No acts of expropriation have occurred under either the Transitional Government of Ethiopia (1991-95) or the Federal Democratic Republic of Ethiopia, which assumed power in mid-1995. Nevertheless, a few cases of U.S. citizens whose business properties were expropriated by the Marxist Derg government in power between 1974 and 1991 remain unresolved.
- There is no right of private ownership of land. Land is leased from the state for up to 99 years. A few textile factories privatized in recent years were repossessed by the government because the new owners failed to pay debts owed to the government.

#### **Dispute Settlement**

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- According to the Investment Proclamation (Law), disputes arising out of foreign investment that involve a foreign investor or the state may be settled by means agreeable to both parties. A dispute that cannot be settled amicably may be submitted to a competent Ethiopian court or to international arbitration within the framework of any bilateral or multilateral agreement to which the Government and the investor's state of origin are contracting parties.
- Ethiopia's judicial system remains underdeveloped, poorly staffed and inexperienced, although efforts are underway to strengthen its capacity. While

property and contractual rights are recognized and there are written commercial and bankruptcy laws, many judges lack understanding of commercial matters. There is no guarantee that the decision of an international arbitration body will be fully accepted and implemented by Ethiopian authorities. The Embassy routinely advises investors to specify that disputes will be settled by arbitration either in Ethiopia (the Chamber of Commerce now runs an arbitration center) or abroad due to the lack of experience of domestic courts.

- Ethiopia is not a member of the International Center for the Settlement of Investment Disputes.

## **Performance Requirements and Incentives**

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- The 2002 amendment to the Investment proclamation gives investment incentives for investors in specific areas.
- Investors engaged in manufacturing, agro-industrial activities or the production of certain agricultural products and who export at least 50 percent of their products or supply at least 75 percent of their product to an exporter as production input are exempt from income tax for five years. An investor who exports less than 50 percent of his product or supplies his product only to the domestic market is income tax exempt for two years. Under special circumstances, the Board and the Council of Ministers could extend the tax exemption.
- The government has also set up a special loan fund of \$174 million and made available land at low lease rates for priority export areas such floriculture, leather goods, textiles and garments and meat and related products. An investor can borrow up to 70 percent of the cost of the project from this special fund without collateral.
- An investor who invests in the relatively under-developed regions of Gambella, Benshangul and Gumuz, South Omo, Afar and Somali will be eligible for an additional one-year income tax exemption. However an investor who exports hides and skins after processing only up to crust level will not be entitled to the income tax incentive.
- Investors who expand or upgrade existing enterprises and export at least 50 percent of their output or increase production by 25 percent are eligible for income tax exemption for two years.
- Investors are allowed to import duty-free capital goods and construction materials necessary for the establishment of a new enterprise or for the expansion of an existing enterprise. Also spare parts worth 15 percent of the value of the capital good can be imported duty free. This privilege may be denied if the capital good and construction materials are locally produced and have competitive prices, quality and quantity.

## **Right to Private Ownership and Establishment**

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- Both foreign and domestic private entities have the right to establish, acquire, own and dispose of most forms of business enterprises.
- State-owned enterprises have considerable de facto advantages over private firms, particularly in the realm of Ethiopia's regulatory and bureaucratic environment, including ease of access to credit and speedier customs clearance. Local businessmen as well as foreign investors complain of the lack of a level playing field when it comes to state-owned and party-owned businesses.



## **Protection of Property Rights**

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- Secured interests in property are protected and enforced, although all land ownership remains in the hands of the state.
- One pending issue is the return of properties seized, "lawfully" or "unlawfully" during the Mengistu Haile-Mariam's regime (1974-91). The Government's position is that property seized "lawfully," that is, by court order or government proclamation published in the official gazette, remains the property of the state. The state may choose to sell such property if deemed appropriate. In most cases, property seized by oral order or other informal means is gradually being returned to lawful owners or their heirs through a lengthy judicial appeals process. Claimants are required to pay for any additions (buildings, generators, etc.) or improvements made by the Government.
- Land for investment purpose is leased, with prices set by periodic auctions for urban land with established market floors. Land leasehold regulations, however, vary in form and practice by region. The June 1996 Investment Proclamation and subsequent amendments charge the Investment Authority with locating and facilitating the leasing of property by licensed investors.
- Loan terms are generally quite short and very few mortgages are made. There is no system of recording security interests.
- Also see section on Intellectual Property Rights.

## **Transparency of Regulatory System**

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Ethiopia's regulatory system is generally considered fair, though there are instances in which burdensome regulatory or licensing requirements have prevented the local sale of U.S. exports, particularly personal hygiene and health care products. Investment, business and other licenses for foreign investors can now be obtained from the Ethiopian Investment Commission in a matter of hours.

## **Efficient Capital Markets and Portfolio Investment**

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- Ethiopia does not have a securities market, although a private sector initiative to establish a mechanism for buying and selling company shares is under discussion.
- While credit is available to investors on market terms, the 100 percent collateral requirement limits the ability of some investors to take advantage of business opportunities. Export oriented investors can borrow from the special fund at the Development Bank without collateral.
- Foreign banks are not permitted to operate in Ethiopia. Currently nine banks, three state-owned and six privately owned, are licensed to operate in the country. Some of the banks have extremely high non-performing loan portfolios. The state-owned Commercial Bank of Ethiopia has approximately 70 percent of the assets of the entire banking system.
- The Ethiopian Government controls interest rates. Because there are no real securities markets, the Government cannot affect interest rates through market actions and retains the right to set interest rates. Loan interest rates are allowed to float. The deposit interest rate is now 3 percent; the Government argues this



move was necessary to lower lending rates to encourage economic activity. The Government offers a limited number of 28 days, 3-month and 6-month Treasury bills, but prohibits the interest rate from exceeding the savings deposit rate. In September 1998, Ethiopia reduced the minimum denomination of Treasury bills to \$700 (5,000 birr). The yield on these T-bills is very low, 0.05 percent for a 182-day bill in the third quarter of 2004/05.

- There are no laws or regulations authorizing private firms to adopt articles of incorporation/association that limit or prohibit foreign investment, participation or control. There are no private sector or Government efforts to restrict foreign participation in industry standards setting consortia or organizations. There are no known instances of private firms attempting to restrict foreign investment, participation, or control of domestic enterprises.
- There are no "cross-shareholding" or "stable shareholder" arrangements used by private firms to restrict foreign investment through mergers or acquisitions.

## **Political Violence**

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Ethiopia is relatively stable and secure for investors. Sporadic ethnic violence in Oromiya, Gambella, Southern and Somali regions in recent years has not seriously affected foreign or domestic investors. In fact the pace of both domestic and foreign investments particularly in Oromiya has picked up in recent years. However, following the May 2005 elections, there was political unrest across the country and two incidents of demonstrations in Addis Ababa that turned violent, resulting in numerous arrests. Strikes, demonstrations, boycotts and shutdown of businesses by the government affected production, employment, trade, transport and other aspects of the national economy. By early 2006, the unrest had largely calmed.

## **Corruption**

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- The UN Investment Guide to Ethiopia published in 2004 points out that, according to the private sector, routine bureaucratic corruption is virtually non-existent in Ethiopia. The guide adds that bureaucratic delays and difficulties certainly exist, but they are not devices by which officials strive to line their pockets.
- Ethiopia ranked 92nd out of 133 countries rated in 2003 (a higher number indicates a higher level of corruption), 114 out of 146 countries rated in 2004 and 137 out of 159 countries rated in 2005, suggesting a worsening corruption trend. There are suspicions that the frequent cancellation of telecommunications, power and other infrastructure tenders may be a result of corruption. In addition, state- and party- owned businesses receive preferential access to land leases and credit.
- In May 2001, the Government launched an anti-corruption campaign in which a number of Ethiopian Government and private sector officials were detained. On May 24, 2001, the Government passed a proclamation on anti-corruption procedures and rules, and an Anti-Corruption Commission has been established. Since its establishment, the Commission has arrested many officials, including managers of the Privatization Agency, the state-owned Commercial Bank of Ethiopia, and private businessmen and charged them with corruption. There were no major arrests in the last two years.

- It is a criminal offense to give or receive bribes, and bribes are not tax deductible. The Embassy has no knowledge of foreign investors ever being charged with corruption. The Ministry of Justice and the Anti-Corruption Commission are the Government entities with the primary responsibility to combat corruption.

## **Bilateral Investment Agreements**

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To date, Ethiopia has bilateral investment agreements and treaties with China, Denmark, Italy, Kuwait, Malaysia, Netherlands, Russia, Sudan, Switzerland, Tunisia, Turkey and Yemen. The Investment Authority has expressed interest in discussing a bilateral investment treaty with the United States. A Treaty of Amity and Economic Relations, which entered into force on October 8, 1953, governs economic and consular relations between the U.S. and Ethiopia. Ethiopia also has double taxation treaties with Italy, Kuwait, Romania, Russia, Tunisia, Yemen, Israel and South Africa. There is no double taxation treaty between the U.S. and Ethiopia.

## **OPIC and Other Investment Insurance Programs**

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The Overseas Private Investment Corporation (OPIC) offers risk insurance and loans to U.S. investors in Ethiopia. In October 2000, the Ethiopian Investment Authority and OPIC signed an Investment Incentive Agreement and the agreement was ratified by the Ethiopian Parliament on April 8, 2003. OPIC provided political risk insurance in 1995 for a \$48 million project by a U.S. firm to construct a sugar refinery. It also provided risk insurance to a U.S. firm involved in a road design project. OPIC also provided loan and risk insurance in 2003 for MedPharm project, a medical laboratory established by a U.S. company led by a U.S. citizen of Ethiopian origin. The project is now operational. Ethiopia is a member of the Multilateral Investment Guarantee Agency (MIGA).

## **Labor**

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- Ethiopia's labor force is estimated at 35 million, of which 85 percent are employed in subsistence agriculture, mostly as farmers. The Government and armed forces are the most important sectors of employment outside agriculture and provide work for almost 3 million people. The number of permanent and temporary workers employed in public sector manufacturing increased from 78,000 in 1978 to over 300,000 in 1999 and currently remains at about the same level. Approximately 40 percent of the urban workforce is unemployed. The high urban underemployment is partially offset by an informal economy.
- Labor remains readily available and inexpensive in Ethiopia. Skilled manpower, however, is scarce in many fields.
- Only about 300,000 workers are members of labor unions. Civil sector employees are not allowed to form unions. Most ILO Core Labor Standards have been enacted into law; the Ethiopian Parliament ratified ILO Convention 182 on the Worst Forms of Child Labor in May 2003.
- Child labor is not a pressing issue in the formal economy, but is common in rural agrarian areas and the informal economy in urban areas. Employers are statutorily prohibited from hiring youngsters under the age of 14. There are strict labor laws defining what sectors may hire "young workers," defined as workers aged 14 to 18, but these are not always enforced.

- Ethiopia generally enjoys labor peace. There was only one formal strike in 2004/05. The Government re-certified the Confederation of Ethiopian Trade Unions (CETU) in April 1997. Since its re-certification, CETU has focused on fundamental workers' concerns, such as job security; pay increases, severance pay, and health and retirement benefits. The right to form labor associations and to engage in collective bargaining is granted in the constitution. The new labor law that went into effect in February 2004 is generally considered pro-employer by labor unions. Workers who perform essential services are not permitted to strike.
- Tri-partism emerged in May 1998 when the Government licensed the Ethiopian Employers' Association (EEA). The EEA is dedicated to maintaining labor peace and works in harmony with the ILO, CETU and the Ministry of Labor and Social Affairs. Its leadership supports the adoption of all ILO Core Labor Standards. In general, entrepreneurs believe that cooperating with labor is in their self-interest.

### Foreign-Trade Zones/Free Ports

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There are no areas designated as foreign trade zones and/or free ports in Ethiopia. Because of the 1998-2000 Ethio-Eritrean war, Ethiopian exports and imports through the Eritrean port of Assab are now prohibited. As a result, Ethiopia is conducting almost all of its trade through the port of Djibouti. Despite Ethiopia's efforts to clamp down on small-scale trade of contraband, unregulated exports of coffee, live animals, khat (a mildly narcotic amphetamine-like leaf), fruit and vegetables, and imports of cigarettes, alcohol, textiles, electronics and other consumer goods continues. The Government of Ethiopia provides support to exporters of textiles, leather and horticultural products, including plots of land at low lease prices and a line of credit of \$174 million (1.5 billion birr) to finance exports.

### Foreign Direct Investment Statistics

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- Foreign direct investment in Ethiopia has gradually increased in the last few years. It increased from \$40 million in 2002 to \$70 million in 2004. Floriculture, horticulture in general, and leather are the sectors that have lately attracted FDI. Current U.S. direct investment in Ethiopia is estimated at about \$55 million.
- U.S. companies with the most significant presence and participation in Ethiopia's economy include Boeing, Cargill, Sheraton Hotels, Lucent Technologies, Cisco, Coca-Cola, Pepsi-Cola, Schaffer & Associates, Pioneer Hi-Bred Seeds, DHL International, Federal Express, United Parcel Service, Caterpillar, Mack Trucks, General Motors, Rank/Xerox Corporation, John Deere, and Navistar.

### Web Resources

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Addis Ababa Chamber of Commerce  
[www.addischamber.com](http://www.addischamber.com)

African Growth Opportunity Act  
[www.agoa.gov](http://www.agoa.gov)

Ethiopian Business Development Services Network (EBDSN)

[www.bds-ethiopia.net/investment3.html](http://www.bds-ethiopia.net/investment3.html)

Ethiopian Investment Commission  
[www.investinethiopia.org](http://www.investinethiopia.org)

International Chamber of Commerce  
[www.iccwbo.org](http://www.iccwbo.org)

An Investment Guide To Ethiopia  
<http://www.unctad.org/Templates/webflyer.asp?docid=4826&intItemID=2659&lang=1&mode=toc>

United Nations conference on trade and development  
[www.unctad.org/en/docs/iteia20042\\_en.pdf](http://www.unctad.org/en/docs/iteia20042_en.pdf)

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
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### How Do I Get Paid (Methods of Payment)

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There are different basic methods of receiving payment for products sold in Ethiopia, the selection of which is usually determined by the degree of trust in the buyer's ability to pay. Payment alternatives that U.S. exporters might consider, in order of the most secure to the least-secure include:

- Confirmed irrevocable letter of credit (if concerned about the importer and international standing of his bank).
- Irrevocable letter of credit (if concerned only about the reliability of the importer).
- Documentary collection (Cash Against Document).
- International Telegraphic Transfer (when the transaction is below \$5000 and certain types of goods, such as urgent medicine).

As a general rule, U.S. exporters selling to Ethiopia for the first time are advised to transact business only on the basis of an irrevocable letter of credit, confirmed by a recognized international bank. Any other form of payment carries a high level of risk.

### How Does the Banking System Operate

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- In line with its market economic policies, the Government of Ethiopia allowed the establishment of private banks and insurance companies in 1994, but prohibited foreign ownership of such companies. The Ethiopian banking sector is currently comprised of a central bank, three government owned and six private banks, and nine insurance companies: Ethiopian Insurance Corporation (State owned), United, Africa, Nile, Nyala, Awash, National, Global, and Nib.
- The state owned Commercial Bank of Ethiopia dominated the market in terms of share of assets, deposits, bank branches, total banking force. CBE operates 172 branches, with total assets of over \$3 billion.
- The first private bank -- Awash International -- started operations in late 1994. Five additional private banks (Dashen Bank, Bank of Abyssinia, Wegagen bank, Nib International Bank and United Bank) have started operations since then.
- The two government-owned specialized banks are the Development Bank of Ethiopia (DBE) and the Construction and Business Bank (CBB). DBE extends short, medium and long-term loans for viable development projects, including industrial and agricultural projects. It also provides other banking services such as checking and saving accounts to its clients. The CBB provides long-term loans for construction, acquisition or maintenance of dwellings, community

- facilities and real estate development. In addition, it offers all other commercial banking services to business.
- Micro finance institutions are also becoming major financial service providers to low-income micro-entrepreneurs both in urban and rural areas. These institutions extended a total of \$75 million credit and mobilized some \$30 million savings by June 2002. Currently, 21 micro-finance institutions operate in the country.
  - The National Bank of Ethiopia (NBE) aims to foster monetary stability and a sound financial system, maintaining credit and exchange conditions conducive to the balanced growth of the economy. The NBE may engage with banks and other financial institutions in the discount, rediscount, purchase, or sale of duly signed and endorsed bills of exchange, promissory notes, acceptances, and other credit instruments with maturities of not more than 180 days from the date of their discount, rediscount, or acquisition by the bank. The bank may buy, sell, and hold foreign currency notes and coins and such documents and instruments, including telegraphic transfers, as are customarily employed in international payments or transfers of funds.

### **Foreign-Exchange Controls**

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All payments abroad require permits and all transactions in foreign exchange must be carried out through authorized dealers supervised by the National Bank of Ethiopia (NBE). The NBE has delegated most of the foreign exchange transaction functions to the commercial banks. Importers and exporters now obtain import/export permits through the commercial banks. In addition, exporters can retain indefinitely 10 percent of their foreign exchange proceeds and sell the remaining 90 percent to commercial banks within four weeks.

### **U.S. Banks and Local Correspondent Banks**

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The following are Ethiopian banks with correspondent relationships with U.S. banks:

Awash International Bank  
P.O. Box 12638  
Addis Ababa, Ethiopia  
Tel: +251-11-661-4482/661-3023  
Fax: 251-11-661-4477  
[www.awash-bank.com](http://www.awash-bank.com)

Bank of Abyssinia  
P.O. Box 12947  
Addis Ababa, Ethiopia  
Tel: +251-11-551-4130  
Fax: +251-11-551-0409  
[www.bankofabyssinia.com](http://www.bankofabyssinia.com)

Commercial Bank of Ethiopia  
P.O. Box 255  
Addis Ababa, Ethiopia  
Tel: +251-11-551-5004

Fax: +251-11-551-4522  
E-mail: [cbe.president@ethionet.et](mailto:cbe.president@ethionet.et)  
[www.combanketh.com](http://www.combanketh.com)

Dashen Bank  
P.O. Box 12752  
Addis Ababa, Ethiopia  
Tel: +251-11-465-4073/465-0286  
Fax: +251-11-465-3037  
E-mail: [dashen.bank@ethionet.et](mailto:dashen.bank@ethionet.et)  
[www.dashenbank.com](http://www.dashenbank.com)

Nib International Bank  
P.O. Box 2439  
Addis Ababa, Ethiopia  
Tel: +251-11-550-3288/550-3304  
Fax: +251-11-550-4349

United Bank  
P.O. Box 19963  
Addis Ababa, Ethiopia  
Tel: +251-11-465-5222/465-5272  
Fax: +251-11-465-5243

Wegagen Bank  
P.O. Box 1018  
Addis Ababa, Ethiopia  
Tel: +251-11-552-3800/552-3526  
Fax: +251-11-552-3520/552-3521  
E-mail: [wegagen@ethionet.et](mailto:wegagen@ethionet.et)

## **Project Financing**

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Although the local private banks have excess liquidity and additional capital to lend, they often require a large percentage of any loan in collateral, which must usually consist of cash or durable capital. The NBE must approve loans from overseas institutions that require hard currency debt repayments. Both project financing and insurance coverage are available through the Overseas Private Investment Corporation (OPIC). In October 2000, the Ethiopian Investment Authority signed an Investment Incentive Agreement with OPIC and the agreement was ratified by the Ethiopian Parliament in April 2003.

Project capital is available for many projects in roads, energy, health and education from the International Development Association of the World Bank or the African Development Bank. The International Finance Corporation provides some equity financing for private sector projects. In May 2003, the World Bank approved a \$1.5 billion assistance package for undertaking various development projects to be implemented under the Bank's Country Assistance Strategy (CAS) in the coming three years (2003 - 2005). The fund would be used for food security, rural development, capacity building, infrastructure development activities and prevention of HIV/AIDS. The Bank would release roughly \$500 million for the implementation of the development projects every year. Similarly, the African Development Bank (ADB) granted Ethiopia \$200 million for

the same purpose. The EU has also allocated over 500 million Euros towards the development of infrastructure, food security and capacity building projects between 2002 and 2007.

A list of ongoing projects funded by major financial institutions like the International Development Association (IDA) and the World Bank includes:

Project Name	Commitment Amount*	Product Line	Country/Area	Status	Approval Date
<b>ENERGY ACCESS PROJECT</b>	4.93	Global Env Project	Ethiopia	Active	28-JUL-2005
<b>Private Sector Development Capacity Building Project</b>	24	IBRD/IDA	Ethiopia	Active	21-DEC-2004
<b>ET-PRSC 2 DPL (FY05)</b>	130	IBRD/IDA	Ethiopia	Closed	30-NOV-2004
<b>Productive Safety Nets Project (APL 1)</b>	70	IBRD/IDA	Ethiopia	Active	30-NOV-2004
<b>ROAD SECTOR DEVELOPMENT SUPPORT PROGRAM II (RSDSP II-APL 2)</b>	160.9	IBRD/IDA	Ethiopia	Active	22-SEP-2004
<b>ET-ICT Assisted Dev SIM (FY05)</b>	25	IBRD/IDA	Ethiopia	Active	16-SEP-2004
<b>Post Secondary Education Project</b>	40	IBRD/IDA	Ethiopia	Active	16-SEP-2004
<b>Ethiopia Water Supply and Sanitation Project</b>	100	IBRD/IDA	Ethiopia	Active	11-MAY-2004
<b>Public Sector Capacity Building Program Support Project</b>	100	IBRD/IDA	Ethiopia	Active	11-MAY-2004

Source :- The World Bank

## Web Resources

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Commercial Bank of Ethiopia  
[www.combanketh.com](http://www.combanketh.com)

Country Limitation Schedule  
[www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

Export-Import Bank of the United States  
[www.exim.gov](http://www.exim.gov)

OPIC  
[www.opic.gov](http://www.opic.gov)

Trade and Development Agency  
[www.tda.gov](http://www.tda.gov)

SBA's Office of International Trade



[www.sba.gov/oit](http://www.sba.gov/oit)

USDA Commodity Credit Corporation  
[www.fsa.usda.gov/ccc/default.htm](http://www.fsa.usda.gov/ccc/default.htm)

U.S. Agency for International Development  
[www.usaid.gov](http://www.usaid.gov)

World Bank  
[www.worldbank.org](http://www.worldbank.org)

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## Chapter 8: Business Travel

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### Business Customs

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Ethiopia is a developing country with a complex market. The U.S. exporter should keep certain factors in mind to achieve maximum success.

Given the good business and political relations between Ethiopia and the U.S., there are significant commercial opportunities for U.S. firms. The principles of customary business courtesy, especially replying promptly to requests for price quotations and orders, are a prerequisite for exporting success.

U.S. firms should sustain close contact with distributors and customers to exchange information and ideas. Local distributors/representatives can serve as a best source of local market requirement information and as appraisers of product market acceptance. In most instances, mail, fax, or telephone communications are sufficient, but the understanding developed through periodic personal visits is the best way to keep distributors apprised of new developments and to resolve problems quickly.

Ethiopians are formal during the first meeting and become less so once friendship is developed. Persons are universally addressed by first name rather than by last name (no family name). For a man, the common title (comparable to "Mister") is "Ato" and for a woman is "Weizero" (Mrs.) if married and "Weizerit" (Miss) if single. Business is often conducted at the office, over lunch or dinner. Business entertainment may be conducted at relaxed events such as the Azmari Bet (traditional music place), restaurants, or even in personal residences. Business hours are usually from 8:30 a.m. or 9 a.m. to 5 p.m. (17:00) or 6 p.m. (18:00). Most businesses close during the lunch hour. Visitors must declare hard currency upon arrival and may be required to present the declaration upon departure. There are strict penalties for exchanging money on the black market. Credit cards are not widely accepted.

Ethiopia's main dish is called "wot," a stew-like dish made with beans, meat or vegetables cooked in a hot, spicy sauce. This is traditionally eaten with flat, spongy bread called "injera." In larger hotels and restaurants, menus reflect international standards. In Addis Ababa there are a number of restaurants serving continental, Italian, French, Greek, Armenian, Middle Eastern, Indian, and Chinese food.

## **Visa Requirements**

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Visas are required for all visitors to Ethiopia (with the exception of nationals of Djibouti, Eritrea and Kenya) and are readily available from Ethiopian diplomatic missions abroad. Nationals of some countries may be eligible to purchase visas at international airports. Passports must be valid for six months beyond the end of the traveler's stay in Ethiopia. Except in the case of a few nationals, passengers in transit in Ethiopia holding confirmed onward bookings within 72 hours, can obtain transit visas on arrival. A departure tax of \$20.00, payable in cash, U.S. dollars, is levied on all foreign travelers. Evidence of immunization against yellow fever is also required upon entry.

For more information, please refer to the Embassy's webpage at [http://addisababa.usembassy.gov/information\\_for\\_travelers.html](http://addisababa.usembassy.gov/information_for_travelers.html)

## **Telecommunications**

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There is only one telephone service provided in the country, the state-owned Ethiopian Telecommunications Corporation, that operates all fixed, mobile and internet service. SIM cards are not readily available for sale. Some hotels rent out mobile phones. There are payphones available both inside the airport and in parts of the city. Internet service is available at major hotels (though fees can be high) and at numerous internet cafes through the capital and in some larger regional cities.

## **Transportation**

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Usually there are hotel shuttles available to pick up visitors from the Addis Ababa Airport. In addition, taxis are widely available, though safety can be an issue. Foreigners are not advised to use public transportation (either buses or mini-buses).

## **Language**

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There are more than 80 major language groups in Ethiopia, although the national language, Amharic, is spoken throughout the country. Oromiffa and Tigringna are other widely-used Ethiopian languages. English is the second official language and is understood in most towns and among the educated sector of the population.

## **Health**

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Addis Ababa is located above 8,000 feet above sea level, which may cause health problems, even for otherwise healthy travelers. Individuals may experience shortness of breath, blurry vision, slow reaction times, fatigue, nausea, headaches, leg cramps, ringing in the ears and insomnia. Drinking large amounts of bottled water sometimes relieves these symptoms. Health facilities are extremely limited in Addis Ababa and inadequate outside of the capital. Many medications are not available. Many regions outside of Addis Ababa are in Malaria zones.

All travelers should possess a valid health certificate for yellow fever. Vaccination against cholera is also required for any person who has visited or transited cholera - infected area within six days prior to arrival in Ethiopia.

Other recommended vaccinations include: tetanus, hepatitis A, hepatitis B, typhoid, meningitis, poliomyelitis and, for high-risk groups, rabies.

#### **Local Time, Business Hours, and Holidays**

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Ethiopia is in the GMT + 3 hours time zone. Ethiopia follows the Julian calendar, which consist of twelve months of 30 days each and a 13th month of 5 or 6 days.

#### **Holiday Schedule 2006**

<b>Date</b>	<b>Day</b>	<b>Holiday Name</b>	
January 7	Saturday	Christmas	Ethiopian
January 10 *	Tuesday	Id Al Adaha (Arefa)	Ethiopian
January 19	Thursday	Epiphany	Ethiopian
March 2	Thursday	Victory of Adwa	Ethiopian
April 10 *	Monday	Birthday of the Prophet Mohammed (Moulid)	Ethiopian
April 21	Friday	Good Friday	Ethiopian
April 23	Sunday	Easter	Ethiopian
May 1	Monday	May Day	Ethiopian
May 5	Friday	Patriots' Victory Day	Ethiopian
May 28	Sunday	Downfall of the Dergue	Ethiopian
September 11	Monday	New Year	Ethiopian
September 27	Wednesday	Meskal	Ethiopian
October 25*	Wednesday	Id Al Fetir (Ramadan)	Ethiopian

\* Dates are based on lunar calendar and are subject to change.

#### **Temporary Entry of Materials and Personal Belongings**

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Duty-free import is permitted for up to:

- 20 packets of cigarettes, or 250 gm of cigars, or 1/2 LB of tobacco
- 2 liter of alcoholic beverages or wine
- 1/2 litter, or two bottles, of perfumes
- Radio – quantity 1
- Personal hygienic and cosmetic articles- quantity from each 6
- Recorded video and tape cassette- quantity from each 6
- Non professional camera- quantity 1
- Articles of personal use for taking care of daily necessities of life.

Visitors may export souvenirs with a value not exceeding Birr 500, although some articles (such as animal skins and antiques) require an export permit.

## **Web Resources**

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Ethiopian Customs Authority

[www.ethiomarket.com/ecua/index.htm](http://www.ethiomarket.com/ecua/index.htm)

Ethiopian Ministry of Foreign Affairs

[www.mfa.gov.et/Consular\\_Affair\\_Diplomatic/Consular\\_Affair.php](http://www.mfa.gov.et/Consular_Affair_Diplomatic/Consular_Affair.php)

Ethiopian Tourism Commission

[www.ethiopiatourism.com](http://www.ethiopiatourism.com)

State Department Visa Website

[www.travel.state.gov/visa/index.html](http://www.travel.state.gov/visa/index.html)

U.S. Embassy Addis Ababa

[www.addisababa.usembassy.gov](http://www.addisababa.usembassy.gov)

U.S. Embassy Addis Ababa (Consular Section)

[www.addisababa.usembassy.gov/service.html](http://www.addisababa.usembassy.gov/service.html)

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## Chapter 9: Contacts, Market Research, and Trade Events

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### Contacts

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#### **U.S. Government Trade-Related**

U.S. & Foreign Commercial Service  
Commercial Service Eastern Africa  
U.S. Embassy Nairobi, United Nations Avenue  
P.O. Box 606, Village Market 00621, Nairobi, Kenya  
Tel: +254-20-363-6000 (x6424)  
Fax: +254-20-363-6065  
Email: Edward.Yagi@mail.doc.gov  
[www.buyusa.gov/kenya](http://www.buyusa.gov/kenya)

U.S. Embassy Addis Ababa (Political/Economic Section)  
Entoto Street, Addis Ababa  
Tel: +251-11-517-4331  
Fax: +251-11-124-2405  
[addisababa.usembassy.gov](http://addisababa.usembassy.gov)

Export-Import Bank (EXIM)  
811 Vermont Avenue, N.W, Washington, D.C. 20571  
Tel: (202) 565-3946 or 1-800-565-EXIM  
Fax: (202) 565-3380  
[www.exim.gov](http://www.exim.gov)

Foreign Agricultural Service  
U.S. Embassy, Nairobi, United Nations Avenue  
Tel: +254-20-363-6000 (x6413)  
Fax: +254-20-363-6349  
[www.fas.usda.gov](http://www.fas.usda.gov)

U.S. Department of Commerce  
Market Access and Compliance – Office of Africa  
14th & Constitution Avenues, N.W; Washington, D.C. 20230  
Tel: (202) 482-4227  
Fax: (202) 482-5198  
[www.commerce.gov](http://www.commerce.gov)

## **Ethiopian Government Ministries and other Agencies**

Ministry of Agriculture  
P.O. Box 63247  
Addis Ababa, Ethiopia  
Tel: +251-11-551-8040/552-2276  
Fax: +251-11-551-2984/5512884

Ministry of Capacity Building  
P.O. Box 80001  
Addis Ababa, Ethiopia  
Tel: +251-11-155-5127/155-2044  
Fax: 251-11-155-0900

Ministry of Health  
P.O. Box 486  
Addis Ababa, Ethiopia  
Tel: +251-11-551-7011/551-7345/551-6378  
Fax: +251-11-551-9366

Ministry of Mines and Energy  
P.O. Box 486  
Addis Ababa, Ethiopia  
Tel: +251-11-661-5131/661-5135  
Fax: +251-11-661-5130

Ministry of Finance and Economic Development  
P.O. Box 1037  
Addis Ababa, Ethiopia  
Tel: +251-11-156-8506/156-4416  
Fax: +251-11-155-3844/155-3388  
E-mail: [medac2@telecom.net.et](mailto:medac2@telecom.net.et)

Ministry of Trade and Industry  
P.O. Box 704  
Addis Ababa, Ethiopia  
Tel: 251-11-551-3900/552-8804  
Fax: 251-11-151-4288

Ministry of Transport and Communications  
P.O. Box 1238  
Addis Ababa, Ethiopia  
Tel: +251-11-551-6166/551-8292  
Fax: +251-11-1551-5665  
[www.telecom.net.et/~eta](http://www.telecom.net.et/~eta)

Privatization and Public Enterprises Supervising Agency  
P.O. Box 11835  
Addis Ababa, Ethiopia  
Tel: +251-11-552-7322/553-9009/553-6626  
Fax: +251-11-553-6629/553-8628  
Email:- [epa.et@ethionet.et](mailto:epa.et@ethionet.et)  
[www.telecom.net.et/~epa/](http://www.telecom.net.et/~epa/)

Ethiopian Investment Commission  
P.O. Box 2313  
Addis Ababa, Ethiopia  
Tel: +251-11-553-9474/551-0033  
Fax: +251-11-551-4396  
[www.investinethiopia.org](http://www.investinethiopia.org)

Ethiopian Electric Power Corporation  
P.O. Box 1233 or 3474  
Addis Ababa, Ethiopia  
Tel: +251-11-156-0041/156-0041  
Fax: +251-11-155-2345  
[www.eepco.gov.et](http://www.eepco.gov.et)

Ethiopian Telecommunication Corporation  
P.O. Box 1047 Addis Ababa, Ethiopia  
Tel: +251-11-551-0500/551-4242  
Fax: +251-11-155-2345  
[www.ethionet.et](http://www.ethionet.et)

### **Ethiopian Government Authorities**

Addis Ababa City Administration Municipality  
[www.addisababacity.gov.et](http://www.addisababacity.gov.et)

Addis Ababa City Administration Transport Authority  
[www.telecom.net.et/~aata](http://www.telecom.net.et/~aata)

Addis Ababa Master Plan (AAMP)  
[www.telecom.net.et/~aamp](http://www.telecom.net.et/~aamp)

Addis Ababa Revenue Agency  
[www.aareveue.net](http://www.aareveue.net)

Disaster Prevention & Preparedness commission  
[www.dppc.gov.et](http://www.dppc.gov.et)

Ethiopian Agricultural Research Organization  
[www.earo.org.et](http://www.earo.org.et)

Ethiopian Airlines  
[www.ethiopianairlines.com](http://www.ethiopianairlines.com)



Ethiopian ICT Capacity Building Program

[www.eictda.gov.et](http://www.eictda.gov.et)

Ethiopian Insurance Corporation

[www.telecom.net.et/~eic](http://www.telecom.net.et/~eic)

Ethiopian Mapping Authority

[www.telecom.net.et/~ema](http://www.telecom.net.et/~ema)

Ethiopian Science and Technology Commission

[www.letecom.net.et/~estc](http://www.letecom.net.et/~estc)

Ethiopian Tourism Commission

[www.ethipiantourism.com](http://www.ethipiantourism.com)

Maritime and transit service

[www.telecom.net.et/~mtse](http://www.telecom.net.et/~mtse)

Ministry of Foreign Affairs of Ethiopia

[www.mfa.gov.et](http://www.mfa.gov.et)

Ministry of Information

[www.moinfo.gov.et](http://www.moinfo.gov.et)

Ministry of Infrastructure

[www.moi.gov.et](http://www.moi.gov.et)

Ministry of Revenue of Ethiopia

[www.mor.gov.et](http://www.mor.gov.et)

National Bank of Ethiopia

[www.nbe.gov.et](http://www.nbe.gov.et)

National Electoral Board of Ethiopia

[www.electionsethiopia.org](http://www.electionsethiopia.org)

Telecom Solutions Provider Team (TSPT)

[www.tspe.net.et](http://www.tspe.net.et)

## **Market Research**

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To view market research reports produced by the U.S. Commercial Service please go to the following website: [www.export.gov/marketresearch.html](http://www.export.gov/marketresearch.html) and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

## **Trade Events**

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Please click on the link below for information on upcoming trade events.

[www.export.gov/tradeevents.html](http://www.export.gov/tradeevents.html)

[www.addischamber.com/tradefair/tradefair.asp](http://www.addischamber.com/tradefair/tradefair.asp)

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## Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

The following are services offered by our commercial section:

- **The International Partner Search (IPS)** will help you find the most suitable licensees, distributors, agents and strategic partners. You provide your marketing materials and background on your company and using our extensive contacts in the target market; we identify potential partners and provide you with a detailed description of up to 5 pre-qualified prospects. You will:
  - Save valuable time and money by working only with pre-qualified international partners that best meet your needs.
  - Obtain valuable information on the marketability and sales potential of your products and services.
  - Get all this information within 15 working days.

- **Business Appointments**

The Gold Key program provides visiting American firms with pre-qualified and prescreened meetings with potential overseas agents, distributors, sales representatives and strategic business partners. This program features:

- Appointments with prescreened and pre-qualified Ethiopian firms
- Background and contact information on each potential partner, such as: the size of the company; number of years in business; product or service lines; and capability to provide after-sales service
- Customized market briefing with Commercial Specialists
- Available market research on the relevant industry sector
- Debriefing with Commercial Specialists to discuss results and plan follow-up action and more!

The Gold Key service in Ethiopia costs \$685 for the first day of appointments and \$320 for each additional day.

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.